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SC PUBLIC SERVICE  
COMMISSION

June 19, 2007

Charles L.A. Terreni, Esquire  
Chief Clerk/Administrator  
Public Service Commission of South Carolina  
P.O. Drawer 11649  
Columbia, South Carolina 29211

IN RE: **Docket No. 2007-129-C** - Application for Extended Area Service Between the  
Towns of Inman, Campobello and Landrum

Dear Mr. Terreni:

The Public Service Commission of South Carolina ("the Commission") issued Order No. 2007-348 ("Order") on May 18, 2007 in the above referenced docket. The Order requested that the Office of Regulatory Staff ("ORS") review the request for Extended Area Service ("EAS") between the Towns of Campobello, Inman, and Landrum and make a recommendation concerning the disposition of this matter. ORS submits the following information for the Commission's review.

**Report on Campobello, Inman, and Landrum Extended Area Service**

**Current Local Calling Scope**

Exchanges:

Campobello

Inman

Landrum

Additional Exchanges:

Landrum, Tryon, Green Creek, and Columbus

Spartanburg, Boiling Springs, and Lyman

Campobello, Tryon, Green Creek, and Columbus

Windstream South Carolina, Inc. (“Windstream”) is the incumbent local exchange carrier serving the Campobello, Inman, and Landrum communities. Local calling between the Landrum and Campobello exchanges currently exists. To expand the local calling area for the studied areas, two-way calling would need to be established between the Inman exchange to the exchanges of Campobello and Landrum. The current basic residence and business local exchange rates for the studied exchanges are \$14.96 and \$29.91, respectively.

Currently, Windstream offers an optional local calling plan which is called Windstream Plus. This service provides expanded local calling (seven digit dialing) beyond the existing local calling scope. The expanded local calling area includes intrastate intraLATA calling to all exchanges within a 40 mile radius of a customer’s local serving wire center.

Windstream Plus provides customers various pricing options to expand their local calling scope. The purchase price of an option provides for differing usage rate for calling in the existing local area and in the expanded calling area. The plans also include caps on the usage charges for calling within the existing local calling area. An exception exists for the Business Plan C, which has no usage cap, because all calling within this plan is usage based. Also for certain business classes of customers, none of the local usage caps apply. The Residence Plan C also has no usage caps, because this option provides for unlimited usage for calling in the existing local calling areas and in the expanded local calling area. Also, the purchase price and the usage caps for the local calling area differ depending upon the type of local access service (Residence, Business, and Centrex/PBX). In addition, the usage rates are subject to time of day as well as weekend and holiday discounts. All general terms and conditions pertaining to Windstream Plus are set out in Section 3.11 of Windstream South Carolina’s General Subscriber Services Tariff. Even if the proposed EAS is approved, the Windstream Plus service will continue to be a viable offering for consumers in the Campobello, Inman, and Landrum area because the service provides a very large local calling scope. The Windstream Plus options for Residence and Business services, which are summarized below, illustrate the pricing for the plans, the usage rates, and the usage caps for the various options.

Single Line Residence Service:

	<u>Monthly Recurring</u>	<u>Local Usage Rate/Minute</u>	<u>Maximum Local Calling Usage Charges</u>	<u>Usage Rate for Calling in Extended Local Calling Area</u>
Option 1 (Plan A)	\$7.00	\$0.02	\$15.00	\$0.11
Option 2 (Plan B)	\$9.00	\$0.016	\$15.00	\$0.088
Option 3 Unlimited Usage (Plan C)	\$28.00	\$0.00	Not Applicable	\$0.00

Single Line Business Service::

	<u>Monthly Recurring</u>	<u>Local Usage Rate/Minute</u>	<u>Maximum Local Calling Usage Charges</u>	<u>Usage Rate/Minute for Extended Local Calling Area</u>
Option 1 (Plan A)	\$23.00	\$0.02	\$25.00	\$0.11
Option 2 (Plan B)	\$26.00	\$0.016	\$25.00	\$0.088
Option 3 (Plan C)	\$ 38.00	\$0.01	None	\$0.055

As part of this review, ORS requested Windstream to provide call volumes between the studied exchanges, revenue impact, and costs associated with expected upgrades to the network. Study results were based on data collected during March, 2007. The requested information was provided to ORS on June 1, 2007. Since the information provided is market sensitive, Windstream requested that this information be treated as confidential information and not released without consent of the company.

A significant factor to consider in any EAS review is revenue losses. Typically, the Commission has looked at revenue losses as part of EAS review from a perspective of revenue neutrality. In this case, Windstream identified revenue losses associated with switched access services, customer migration from the optional calling plans, and toll services. In total, Windstream estimated annual revenue losses of \$42,855.

If this proposed EAS is required to be implemented, then costs will be incurred by Windstream to upgrade its network. In this case, Windstream will be required to establish interoffice facilities between the Inman and Landrum exchanges. Windstream estimates recurring annual costs associated with these new facilities to be \$2,519.

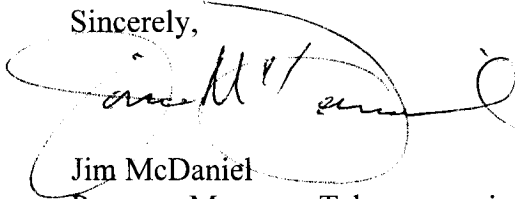
Also associated with implementation of EAS, Windstream indicates that it will incur additional directory expenses. The incremental annual cost associated with including new customer listings in the directories affected by the proposed calling scope is \$6,720.

In summary, Windstream's study reflected additional annual costs and anticipated annualized revenues losses of \$52,093. If this amount is divided equally over all the access lines in the Campobello, Landrum, and Inman exchanges, the monthly increase is \$0.39. In follow up discussions with Windstream, ORS advised the company that ORS prefers to have any increase in local rates be established based on the current price ratio between residence and business services. Generally, basic business access line rates are priced at a level which is equivalent to 2 times the residence access line rate. Using this principle and based on information provided by the company on today's date, ORS has calculated the monthly residence EAS adder to be \$0.33 and the monthly business EAS adder to be \$0.66.

As part of the Commission's Order in this matter, the Commission sought a recommendation from the Office of Regulatory Staff. ORS feels that with any proposed mandatory increase in local rates, the Commission should consider input from the affected customers. In past reviews, the Commission sought input from consumers through the ballot process. ORS supports the use of the ballot process in this matter. If the ballot process is not used, ORS recommends that any public notification be supported by press releases. ORS recommends that the Commission use EAS adders of \$0.33 for residence service and \$0.66 for business service in any public notification and by the Commission in its final deliberation on this matter.

If the ORS can provide any additional information, please advise.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim McDaniel", is written over a faint circular stamp or watermark.

Jim McDaniel  
Program Manager, Telecommunications

cc: Jayne T. Eve, Windstream